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C O N F I D E N T I A L KYIV 000088

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E.O. 12958: DECL: 01/11/2017
TAGS: [PARM](#) [ETTC](#) [EAIR](#) [EIND](#) [PINR](#) [PREL](#) [RS](#) [UP](#)
SUBJECT: UKRAINE: AIRCRAFT ENGINE BUILDER MOTOR SICH AND
ITS EXPORT CONTROL PROGRAM

REF: A. 04 KIEV 3875
[1](#)B. 04 STATE 206898
[1](#)C. 04 KIEV 3271

Classified By: Political Counselor Kent Logsdon for reasons
1.4(b,d)

[1](#)1. (C) Summary/comment: Ukraine's aircraft engine and industrial gas turbine producer Motor Sich occupies a dominant position in both Ukraine and Russia's aviation industries. The venerable company, which began producing aircraft engines in 1915, remains dependent on Russia for 41 percent of its sales. As a result, Motor Sich president Bohuslayev, a Party of Regions parliamentary deputy, is vocally opposed to NATO membership for Ukraine. Company officials told us they meticulously observe export control requirements. Although its business dealings include the supply of engines for an Iranian version of the An-140 commercial aircraft produced in Esfahan, Motor Sich does behave generally like a responsible corporate citizen. (Reftels report on the Ukrainian MFA and Motor Sich's prior consultations with us under MTCR procedures regarding the sale of turbojet engines to China.) End summary/comment.

[1](#)2. (U) We met December 19 with the management of Zaporyzhzhya-based Motor Sich Joint Stock Company during an unrelated NATO outreach trip to Zaporyzhzhya. While Motor Sich has a fairly good website (www.motorsich.com), the publications that we received and the briefing provided additional detail regarding the company's operations. In introducing ourselves, we explained that the United States enjoyed good cooperation with Ukraine on regulating exports of military and sensitive dual-use technology, but we hoped to hear directly from Motor Sich about industry's implementation of export control procedures and internal compliance programs, as well as to learn about the operations of Ukraine's leading aircraft engine maker. Motor Sich Director Volodymyr Shyrkov provided the primary briefing, with amplifying comments from Export Control Department director Viktor Srebrodolsky. Halfway through our meeting, observing Shyrkov's rather defensive manner, we stressed that we were visiting Motor Sich only because we were in the area and not because we had any specific concerns about the company.

The Internal Compliance Program

[1](#)3. (U) Shyrkov said Motor Sich had organized a special unit in 2002 to audit export control procedures, but he emphasized Motor Sich had observed export control requirements since the 1990s. The export control department coordinated with other departments involved in the export of military and dual-use technologies from the initial sales discussions with potential customers to ensure compliance with Ukraine's

export control regulations. The export control department reviewed all sales contracts and also maintained a close liaison with the State Export Control Service of Ukraine (SECS). Srebedolsky said the export control department had nine staff members, but Motor Sich's sales departments also had an individual designated to ensure compliance with export control requirements. Srebedolsky said, as a retired Ukrainian Air Force lieutenant colonel, he was personally committed to ensuring that sensitive technologies did not fall into the wrong hands. (Reftels report on the Ukrainian MFA and Motor Sich's consultations with us under MTCR procedures regarding the sale of turbojet engines to China.)

¶4. (U) Srebedolsky added that SECS regularly provided training to Motor Sich's export control specialists and Motor Sich also participated in SECS-arranged conferences. SECS had a high regard for Motor Sich's competence in the export control area, citing Motor Sich for its record. Motor Sich also provided comments to SECS draft regulations and had recently received a 3-year operating license from SECS.

¶5. (U) Srebedolsky said he was confident that Motor Sich had one of the best export control systems in Ukraine. This was the result of management emphasis in this area beginning with Motor Sich President Vyacheslav Bohuslayev. In fact, the U.S. Government had invited Bohuslayev to the U.S. to participate in an export control meeting. (Note: In 1997, the U.S. Department of Commerce invited twenty Ukrainian industry and government representatives, including Bohuslayev, to attend an industry-government relations executive forum held April 28-May 2, 1997, in Boston and Washington. The Cooperative Threat Reduction program funded the Ukrainians' travel.)

A Mainstay of the Aviation Industry

¶6. (U) Ukraine's Motor Sich occupies the same leading position within the aircraft manufacturing industry of Ukraine, Russia, and other Soviet successor states that Pratt and Whitney, General Electric, and Rolls Royce have as aircraft engine purveyors to the rest of the world. (Like other aircraft engine producers, Motor Sich also produces gas turbine engines for electric power generation and various applications in petroleum extraction.) Motor Sich, Ukraine's only aircraft engine manufacturer, supplies the power plants for Antonov, Tupolev, Ilyushin, Beriev, Yakovlev, and other Russian aircraft. (Note: While the Antonov design bureau is located in Kyiv, most parts of Antonov aircraft are manufactured in Russia.) Motor Sich is also the only helicopter engine manufacturer in Ukraine or Russia.

¶7. (U) Motor Sich's literature states that it produces or provides testing, maintenance, and overhaul services for 70 types of engines used by aircraft in more than 100 countries. The aircraft engines and industrial gas-turbine units are produced in eight factories in Ukraine. In addition, the company produces an odd mix of about 150 different consumer goods ranging from power saws and padlocks to farm machinery, automotive tools and outboard motors at 11 factories in Zaporyzhzha and towns in Khmelnytsky, Donetsk, and Sumy regions.

¶8. (U) The company began in 1907, producing agricultural machinery and implements in tsarist Russia, but, in 1915, Saint Petersburg-based company Duphlon, Konstantinovich, and Company (Deka) bought out the plant and reconfigured it for aircraft engines. The company, relocated temporarily to Omsk, continued to produce aircraft engines for Soviet forces during World War II. The company began producing aircraft gas turbine engines in 1953 and now produces, among others, the engines for the An-124 Ruslan and the An-140. In 1995, the company was converted into the public joint-stock company Motor Sich. Jane's Aero-Engines estimated that Motor Sich's annual export revenue since 2000 has averaged about U.S. \$200 million.

Close Ties to Russia

¶9. (SBU) During his powerpoint briefing, Shyrkov flashed a screen with the 130 or so countries where Motor Sich has business activity. He shrugged when we noted that virtually all the aircraft models using Motor Sich engines were of Russian manufacture and inquired what Motor Sich was doing to reduce its dependency on Russian purchases. (In a March 2006 interview, Bohuslayev said 41 percent of Motor Sich's sales were to Russia.) Shyrkov said that concluding sales to new customers was difficult, implying that there was over-capacity in the aircraft engine production business. Motor Sich had negotiated unsuccessfully to provide engines for a Czech trainer and, when we inquired, Shyrkov acknowledged that his company had also had discussions in 2004 with the son of Sikorsky Aircraft's founder, but these had also been fruitless.

¶10. (U) According to media reports, Motor Sich President Bohuslayev is aware of the company's vulnerability and is working to protect Motor Sich's access to the Russian market. He has mooted various joint ventures with Russian companies for aircraft production, such as with Volga-Dnepr to start up production of the An-124 and a failed attempt to sell Motor Sich to Oboronprom or joining with a Oboronprom in a Russian engine-building consortium. Shyrkov noted to us that Motor Sich would be willing to partner with other non-Russian aviation companies. (Industry analysts assume that Bohuslayev owns a controlling share of Motor Sich.)

Bohuslayev Bio Notes

¶11. (SBU) Motor Sich's business interests also play on the national stage, since Bohuslayev is a national parliament (Verkhovna Rada) deputy, elected as number 5 on the Party of Regions list of candidates. Not unexpectedly, Bohuslayev has been protective of Russian interests and critical of FM Tarasyuk's push to join NATO. In a March 2006 interview, he blamed the Russian decision to produce its own helicopter engines on Tarasyuk's policies. He also criticized PM Viktor Yanukovych for his lack of support to the aviation industry and threatened to pull out of Party of Regions. Bohuslayev, an ethnic Russian born October 28, 1938, in Uralsk, Kazakhstan, graduated from Zaporyzhzhya Engineering Institute in 1985. He is close to ex-President Leonid Kuchma. He has been part of Motor Sich's management since at least 1988.

¶12. (U) Visit Embassy Kyiv's classified website:
www.state.sgov.gov/p/eur/kiev.

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